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1 Q Let me hand you, Mr. Adamczak, a document
2 previously marked Exhibit 45.

3 I want to look at this, if we could, in
4 conjunction with Exhibit 50.

5 Exhibit 45 is another set of schedules,
6 AHERF analysis of reserves. Right?

7 A It is.

8 Q And this time there is a column headed
9 "unadjusted 6-30-97" followed by a column and headed
10 "taken". And then finally the column "Adjusted
11 6-30-97".

12 Right?

13 A Yes.

14 Q And is it your understanding that the
15 column headed "taken" indicates reserves that were
16 taken in to income?

17 A It appears that it refers to the same
18 31,550 on schedule 50. So I assume that is correct.

19 MR. JONES: Note my objection to
20 foundation.

21 Q Did you review at the time the version of
22 the analysis of reserves schedule indicating the
23 reserves taken in to income that we marked Exhibit 45?

24 A Say that one last time?

25 Q Yes. Did you, at the time, review this

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1 probably was the source of determining the reserves.

2 Q When you say it was prepared at a later
3 time, you are still talking about the summer --
4 midsummer 1997 time frame?

5 A Maybe even after. Yes. Summer fall of
6 '97.

7 Q Let me mark, please, as Exhibit 1597 a
8 document with Bates Nos. DC8295 pages 1 to 18.
9 (Thereupon, Exhibit No. 1597 was marked for
10 identification.)

11 Q Do you see at least some of the schedules
12 in Exhibit 1597 are the same schedules we looked at
13 earlier in Exhibit 301?

14 A Yes.

15 Q And what I want to ask in particular about
16 Exhibit 1597 has to do with the handwriting at the
17 top.

18 Do you see that that reads "info prepared
19 by AI and provided to DWMC, CPM and SSA"?

20 A I do.

21 Q Does that look to you like Mr. Cancelmi's
22 handwriting?

23 A It does.

24 Q Did you provide a copy of these schedules
25 in Exhibit 1597 to Mr. Abdelhak?

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1 version of the analysis of reserves schedule
2 indicating the reserves taken in to income that we
3 have marked Exhibit 45?

4 MR. JONES: Object to form. Vague as to
5 time.

6 A I don't believe so.

7 Q Is this the type of detailed work that you
8 believe Mr. Cancelmi was performing?

9 A Yes.

10 I believe that this may have been put
11 together to determine the numbers for this other
12 analysis.

13 Q So that again the analysis of reserve
14 schedule was used in order to identify the reserves
15 available for the adjustments?

16 MR. JONES: Object to form and foundation.

17 A I believe the reserve schedule may have
18 been used.

19 This schedule I believe was prepared at a
20 much later date.

21 I don't know that for a fact.

22 I think it was prepared more when this
23 analysis was done versus when the reserves were
24 identified and taken.

25 But I believe this reserves schedule

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1 A I believe so.

2 Q Do you remember anything about how that
3 came to be that you provided these schedules to
4 Mr. Abdelhak?

5 A Yes. I was asked to prepare this analysis
6 for some meeting with I believe a member or members of
7 the board.

8 I thought David Barnes might have been one
9 of the members that was mentioned.

10 So although this says info prepared, I
11 think prepared means that I coordinated the typing of
12 the schedules.

13 Dan had given me a lot of the input and
14 reviewed the schedules.

15 And then I had sent it off.

16 I believe I had sent it to David McConnell
17 and possibly Sherif. He may have sent it to Chuck
18 Morrison as far as distribution.

19 But I believe that it went to those three
20 parties.

21 My understanding it was for some kind of a
22 board discussion, so that they could better understand
23 what the results of '97 were, if you were to take out
24 the unusual items.

25 Q I believe you said that you were directed

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1 to prepare these schedules.
 2 Who was it specifically who asked --
 3 A I believe it was David McConnell.
 4 Q And who told you that the schedules were
 5 going to be discussed with a member or members of the
 6 board of trustees?
 7 A I believe it was him, also.
 8 Q Did you ever speak directly to Sherif
 9 Abdelhak about these schedules?
 10 A Directly, I don't believe I did.
 11 Q But you sent them to him by fax or
 12 interoffice mail or something?
 13 A Correct.
 14 Q I believe you said that Dave McConnell
 15 mentioned the name of David Barnes?
 16 A David -- I think Barnes is the wrong name.
 17 It was the guy from Mellon Bank who was the
 18 previous chairman who may have headed the finance
 19 committee.
 20 Q We discussed before how --
 21 A If you would like, I could look. I saw his
 22 name on one of the lists that had board members on the
 23 previous exhibits.
 24 Would that be helpful?
 25 Q Sure.

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1 As I recall, we had Exhibit 83, which was a
 2 board book.
 3 A There was another. David Barnes might be
 4 it.
 5 I think it is David Barnes. Did he come
 6 from Mellon Bank, previous chairman?
 7 Q That is my understanding.
 8 A That would be the fellow then.
 9 Q Did you ever hear back anything about the
 10 meeting with David Barnes?
 11 A I did not.
 12 Q Do you know whether any other trustees were
 13 present at the meeting?
 14 A I do not.
 15 I don't even know whether a meeting
 16 occurred.
 17 Q You were told that one would occur?
 18 A When I was asked to prepare this analysis
 19 as part of that request, I was told we need to prepare
 20 this analysis for a meeting with David Barnes.
 21 Q I think you mentioned earlier that because
 22 the schedule lists only 7 million of Graduate cushions
 23 transferred and taken in to income, when ultimately
 24 there were 28 million, that this was an interim
 25 schedule that didn't reflect the final set of

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1 adjustments.
 2 Right?
 3 A I believe that is the case.
 4 Q Do you believe, then, that you prepared
 5 this schedule and provided it to Mr. McConnell and
 6 Mr. Abdelhak in July of 1997?
 7 A That sounds reasonable.
 8 I guess we could go back and look at the
 9 Delaware Valley numbers and see where in this
 10 chronological order they fall. And if they were
 11 before that, then that probably is correct.
 12 Q When you -- you are referring to looking at
 13 the income statement information schedules.
 14 A Right. Page 3 of 18. Which starts with
 15 actual income statement information and trying to
 16 figure out particularly -- for the Delaware Valley the
 17 bottom line numbers that are in this analysis, where
 18 they fall in comparison to the other exhibits we just
 19 looked at that appear to show different periods of
 20 time.
 21 Q That is very helpful. I won't take our
 22 time now to go through that.
 23 Let me hand you, Mr. Adamczak, what has
 24 previously been marked Exhibit 1101.
 25 Q Do you recognize Exhibit 1101?

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1 A I do.
 2 Q And what is it?
 3 A It appears to be an analysis that I put
 4 together and that was given to Harry, who was kind of
 5 a transporter of information back and forth between
 6 buildings in the system that was to go to Sherif
 7 Abdelhak.
 8 Q So Harry was a messenger, who you used?
 9 A Yes.
 10 Q Are you able to give an approximate time
 11 frame when you believe that you sent these analyses to
 12 Mr. Abdelhak?
 13 A I would assume that the fact that there are
 14 two months of fiscal year information on it, July and
 15 August, and assuming this was based on August close,
 16 it could not have happened before September of 1998.
 17 Q And you believe that it must have been in
 18 September or October, because if there had been at a
 19 later time, you would have provided Mr. Abdelhak with
 20 more up to date results?
 21 A That's correct.
 22 And I wouldn't think for August. I would
 23 think we had it closed some time early October at the
 24 very latest.
 25 The other thing I don't know is with year

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1 end we may have been a little bit behind, if they
2 didn't sign off on it.

3 We generally can't close June final until
4 the signoff. So if they didn't sign off until the end
5 of August, we may have been running late with the
6 closes.

7 Because generally we won't final close July
8 or August until June is final closed.

9 So if the audit signoff was the end of
10 August, we may have started in July or September, may
11 have gone in to November. I doubt any later than end
12 of October, early November.

13 Q You would date this some time from
14 September through the early part of November 1997?

15 A Yes. It could be no earlier than
16 September, because it has August information in it.

17 Q Is this your handwriting in the schedule?

18 A It is.

19 Q Do you recall how it came to be that you
20 provided these schedules to Mr. Abdelhak?

21 A No.
22 I would assume it was a request of his.
23 But I don't know that for sure.

24 Q Did you regularly provide this type of
25 schedule to him?

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1 A I do.

2 Q And then if you turn to Bates page 8771,
3 this is a memo from you to Mr. McConnell dated
4 September 23rd, 1997 on the subject of DVOG outpatient
5 revenues. Is that right?

6 A Yes.

7 Q Do you see there the second column is
8 headed fiscal year '97 outpatient cushions used in
9 fourth quarter?

10 A Could you repeat that?

11 Q Do you see the second column?

12 A I see it.

13 Q And for MCP, the figure given there for
14 outpatient cushions is 2 million dollars?

15 A Yes.

16 Q The 2 million dollars there for outpatient
17 cushions plus the 3 million dollars in general reserve
18 adjustment on the inpatient schedule on Bates 8766
19 total 5 million dollars, right?

20 A They do.

21 Q Did you happen to have a copy of Exhibit 50
22 handy still?

23 A I do.

24 Q And the use of reserves in the final June
25 1997 adjustment we have spoken of shown in Exhibit 50

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1 A Not generally without a request.

2 Q Could you turn, please, about halfway
3 through the document to the number with Bates
4 No. 8766? Could you explain, please, what this
5 schedule is?

6 A I would have to look at it.

7 I didn't put this analysis together. This
8 came out of Dan Cancelmi's area.

9 But it looks like it tracks some inpatient
10 net revenue and gross revenue per admission and per
11 day historically, meaning month by month. And try to
12 I guess calculate what an average inpatient revenue --
13 to show some kind of a trend.

14 Q This page we are looking at is for MCP
15 hospital?

16 A That's correct.

17 Q Then the following pages relate to other
18 DVOG hospitals?

19 A Correct.

20 Q Do you see that next to the inpatient net
21 revenue per admission for June 1997, there is a
22 footnote E?

23 A Yes.

24 Q And footnote E reads excludes 3 million
25 dollar general reserve adjustment?

1 at MCP hospital is 5 million dollars.

2 Right?

3 A Correct.

4 Q Similarly for Elkins Park, if we totaled up
5 the inpatient figure on Bates 8767 and footnote E, and
6 then the outpatient figure on Bates 8771, we would get
7 the same 3 million dollar figure as shown on Exhibit
8 50.

9 Right?

10 A Correct.

11 Q Similarly for Bucks County, if we added the
12 1 million dollar inpatient figure on schedule 8768,
13 footnote B with the 300,000 outpatient figure on Bates
14 8771, we get the 1.3 million dollar figure shown for
15 use of reserves in Exhibit 50?

16 A Correct.

17 Q So these schedules in Exhibit 1101 that you
18 sent to Mr. Abdelhak inform him, if he didn't already
19 know about it, of the 31 million or so use of reserves
20 made in the final June 1997 adjustment; is that right?

21 MR. JONES: Object to form and foundation.

22 A I believe so.

23 Q Did you ever speak directly to Mr. Abdelhak
24 about those adjustments?

25 A I did not.

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1 Q Was it your understanding at the time that
2 he knew about them?
3 A I don't know that I had --
4 MR. JONES: Object to foundation.
5 A -- that I had an understanding other than
6 I assume Mr. McConnell would have shared it with him.
7 Q Now, in the previous exhibit, Exhibit 1597,
8 if these schedules were in fact provided to Mr. Barnes
9 as Mr. McConnell told you they would be, then
10 Mr. Barnes would have known at least about 75 million
11 dollars in transfers from Graduate to DVOG, right?
12 MR. JONES: Object to foundation and form.
13 A I would believe so.
14 Q Do you have any other knowledge about
15 whether Mr. Barnes was informed about the use of
16 cushions or the transfers of reserves?
17 A I do not.
18 MR. JONES: Same objections.
19 Q Do you know whether any other members of
20 the AHERF board of trustees were informed about the
21 use of cushions or transfers of reserves?
22 MR. JONES: Same objections.
23 A I do not.
24 Q Let me mark, please, Exhibit 1598, a
25 document with Bates Nos. SA1310, pages 1 to 5.

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1 (Thereupon, Exhibit No. 1598 was marked for
2 identification.)
3 Q Do you recognize the schedules in Exhibit
4 1598, Mr. Adamczak?
5 A Yes. Looks like an analysis I would have
6 prepared.
7 Q Do you recall providing this analysis to
8 Sherif Abdelhak?
9 A I believe I do.
10 Q And the analysis shows the use of inpatient
11 and outpatient cushions both in the fourth quarter of
12 fiscal year 1997 and in the first quarter of fiscal
13 year 1998; is that right?
14 A Correct.
15 Q Do you believe, then, that you provided
16 this schedule to Mr. Abdelhak some time in the second
17 quarter of fiscal year 1998?
18 A Yes.
19 Q So that would be in the October to December
20 1997 time frame?
21 A Yes.
22 Q And this schedule shows the use of
23 inpatient and outpatient cushions in the fourth
24 quarter of fiscal year 1997, among other things the
25 same adjustments we have been looking at at the DVOG

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1 hospitals we have been referring to as the final June
2 1997 adjustments, right?
3 A I believe so.
4 MR. JONES: Object to form and foundation.
5 Q So this is another schedule that you
6 provided to Mr. Abdelhak that informed him about those
7 reserve transfers from Graduate to DVOG, right?
8 MR. JONES: Object to form and foundation.
9 A It informed him of use of cushions.
10 I don't know whether he knew that they came
11 from Graduate or where. But if your question is
12 should he have been aware that cushions were used?
13 Yes.
14 Did he know the origination? I don't know
15 that he did or didn't.
16 Q You are confident that he knew about the
17 use of cushions to improve the reported DVOG hospitals
18 results?
19 A I don't know that I can say that. I know
20 the schedules were provided to him. Whether he read
21 them and understood them, that is another question.
22 Or whether he ever read them. They were provided to
23 him.
24 Q Let me rephrase.
25 You know that you provided to Mr. Abdelhak

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1 schedules that showed the use of cushions at the DVOG
2 hospitals in June 1997 to improve the reported
3 results?
4 MR. JONES: Object to form.
5 A I know that I sent them to him.
6 Q Would requests from Mr. Abdelhak for
7 schedules of this type that you provided to him come
8 directly from him to you?
9 A Generally, yes. Not always.
10 They may come through Mr. McConnell.
11 Q Can you recall Mr. Abdelhak calling you and
12 making a request in words or substance from schedules
13 that would break out the use of cushions?
14 A I don't remember that specific dialogue.
15 Q Can you remember anything about how
16 Mr. Abdelhak would phrase the type of information that
17 he was seeking from you?
18 A Generally it was more -- it was generally
19 along the lines of I want to understand what really
20 happened in the operation versus the unusual items it
21 may have impacted in a given period.
22 Q And it was in response to a request of that
23 type that you prepared and provided to Mr. Abdelhak
24 schedules that showed the use of cushion?
25 A Correct.

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1 Because to me they were unusual items.
 2 Q Let me mark, please, Exhibit 1599 a
 3 document with Bates No. DM0627, pages 1 to 10.
 4 (Thereupon, Exhibit No. 1599 was marked for
 5 identification.)
 6 Q Pages 1 to 9 of this document are various
 7 schedules for AHERF entities called income statement
 8 trend.
 9 Is that right?
 10 A Correct.
 11 Q Are these schedules that you prepared and
 12 provided to Mr. McConnell?
 13 A I believe so.
 14 Q Do you know whether the last page of this
 15 exhibit goes with these schedules? Or if it just is
 16 accidentally attached to them?
 17 A It is not part of this analysis.
 18 I don't know whether it was put there as
 19 part of a package for some discussion or not.
 20 Q I would focus then just on the first nine
 21 pages of Exhibit 1599.
 22 Were these schedules that you prepared on a
 23 regular basis? Or were they in response to particular
 24 request?
 25 A I don't remember that.

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1 Because we started to prepare more and more
 2 of these on a more routine basis.
 3 So I don't remember whether it was a
 4 specific request or not.
 5 It may have been a general request like
 6 I need to have information on a monthly basis, that I
 7 better understand the operations without unusual items
 8 or whatever were.
 9 But I would not have just prepared this and
 10 sent it without some request for information, whether
 11 it was general or going forward let's try to do and
 12 provide me.
 13 I don't think I would just sit there and
 14 say "Hey, I dreamed up this analysis". And I will
 15 just send it for the heck of it, knowing all of the
 16 other stuff that was going on.
 17 And the fact that I had no spare time.
 18 Q And so this was, you believe, a request
 19 either general or specific from David McConnell?
 20 A Yes.
 21 Q Is it your understanding that the months on
 22 these schedules are made through September 1997?
 23 A Yes.
 24 Q So that would be the last two months of
 25 fiscal year 1997, the first three months of fiscal

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1 year 1998?
 2 A Correct.
 3 Q And the schedules show the use of cushions
 4 both for revenues and for expenses in May and June
 5 1997, right?
 6 A Yes.
 7 Q And the use of cushions is the difference
 8 between the line reported revenue and the line actual
 9 revenue. Right?
 10 A Correct.
 11 Q Did you feel, then, that the reported
 12 revenue was not the actual revenue?
 13 MR. JONES: Object to form.
 14 A I believe that the reported revenue
 15 included unusual items or cushions. Yes.
 16 Q Did you believe that the reported revenue
 17 was overstated?
 18 A In which periods?
 19 Q May and June of 1997.
 20 A Yes.
 21 Q And this was a belief that you held during
 22 the summer and fall of 1997?
 23 A Yes.
 24 Q Did you share that belief with Coopers &
 25 Lybrand?

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1 A I did not.
 2 Q Did you share that belief with David
 3 McConnell?
 4 A I did not.
 5 Q But it was your understanding from the fact
 6 that he had directed you to make those adjustments,
 7 that he would have been equally aware of the fact that
 8 revenues were overstated in those two months?
 9 MR. JONES: Object to form and foundation.
 10 A I don't know what he thought.
 11 I believe that he knew the cushions were
 12 used, as I believe that Coopers knew about transfers
 13 of reserves and so forth. So from that perspective,
 14 I assumed they were okay, also.
 15 Q You never actually spoke to them to see
 16 whether they did know about it?
 17 A I did not. Nor did they ask me whether I
 18 was okay with the results.
 19 Q Except when they asked you to sign a
 20 representation letter, right?
 21 A That's correct.
 22 Q That is an instance where they did ask you,
 23 and where you told them results were in accordance
 24 with GAAP?
 25 MR. JONES: Object to form and foundation.

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1 A Yes.
 2 And again, every issue that you have
 3 brought up that I was uneasy with, it appears you had
 4 an explanation, not that I buy it, as to why it could
 5 have been appropriate.
 6 Q We looked toward the end yesterday and so
 7 far this morning at a whole number of internal AHERF
 8 documents that reflected the use of cushions and/or
 9 the transfer of reserves in May or June of 1997.
 10 Right?
 11 A Correct.
 12 Q And none of those documents are shown as
 13 having been copied or provided to Coopers & Lybrand,
 14 are they?
 15 A That's correct.
 16 Q And do you recall providing any of the
 17 exhibits that we have looked at that reflect the use
 18 of cushions or transfers -- transfer of reserves in
 19 May or June of 1997 to Coopers & Lybrand?
 20 MR. JONES: Object to form.
 21 A No. I don't believe I ever provided any
 22 documents to Coopers & Lybrand during their audit.
 23 MR. RYAN: Let's take a quick break here.
 24 THE VIDEOGRAPHER: This concludes tape 13
 25 of the deposition of Mr. Albert Adamczak. We are

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1 off the record. The time is 10:12 a.m.
 2 (Recess taken.)
 3 THE VIDEOGRAPHER: This begins tape 14 of
 4 the deposition of Mr. Albert Adamczak.
 5 We are back on the record. The time is
 6 10:23 a.m.
 7 BY MR. RYAN:
 8 Q Let me mark, please, as Exhibit 1615 a
 9 document with Bates No. DBRAA36488.
 10 (Thereupon, Exhibit No. 1615 was marked for
 11 identification.)
 12 Q Do you recognize Exhibit 1615,
 13 Mr. Adamczak?
 14 A I do.
 15 Q And what is it?
 16 A Appears to be an agenda for a weekly
 17 meeting with David McConnell.
 18 Q Meeting between you and David McConnell on
 19 July 21st, 1997?
 20 A Yes.
 21 Q Is that your handwriting on the agenda?
 22 A It is.
 23 Q Let me ask you first whether you can try to
 24 help give me a sense of what happened during these
 25 weekly meetings that you had.

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1 A They were scheduled every week generally on
 2 a Monday morning.
 3 I think they were scheduled for a very
 4 brief period of time, generally an hour or less.
 5 Often times David McConnell would show up,
 6 they were generally in his office first thing in the
 7 morning.
 8 Generally he showed up late for them.
 9 Continually was pulled away on telephone calls. And
 10 rarely did we discuss the entire agenda.
 11 A lot of times we discussed very little.
 12 A lot of times he would bring up or discuss
 13 issues not on this agenda, meaning "I need you to do
 14 this," or "I need you to do that."
 15 They generally happened every week.
 16 Sometimes they were cancelled.
 17 An agenda would be put together and we
 18 never had the meeting.
 19 Q If you did not get in a particular meeting
 20 to discuss an item on the agenda that you thought
 21 continued to be important, would you carry it over to
 22 the agenda for the next meeting?
 23 A Not always.
 24 If I had any documents that I had brought
 25 relative to these items, I might leave them and say

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1 "Hey, if you need the followup, just give me a call."
 2 Q Are you able to tell from your handwritten
 3 notes whether this meeting took place? Or from the
 4 items on the agenda?
 5 A I can't.
 6 The only thing that might cause me to
 7 believe that it did was the note by No. 9, where I
 8 wrote something in.
 9 The other items look like they were
 10 additions that I added to the agenda before the
 11 meeting.
 12 Q But the notes by item 9 look like something
 13 that you may have written while you were sitting at
 14 the meeting?
 15 A Yes.
 16 Q Do you see item 1 reads "AUH slash SCHC bad
 17 debt reserves"?
 18 A I do.
 19 Q Do you recall what that item referred to?
 20 A I do not.
 21 Q Do you see item 2 reads "AHERF reserve
 22 cushion analysis"?
 23 A I do.
 24 Q Do you recall what that item refers to?
 25 A I would assume it is that cushion analysis

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1 accepted accounting principles. Right?

2 A In my opinion, that's correct.

3 MR. JONES: Object to form.

4 Q And that was an opinion you held back at

5 the same you signed the letter, right?

6 MR. JONES: Same objection.

7 A Yes. More so as time went on.

8 Q See at the top of page 2, paragraph 3

9 reads, "There are no material transactions that have

10 not been properly recorded in the accounting records

11 underlying the financial statements."

12 A I see that.

13 Q And at the time that you signed this letter

14 for Coopers & Lybrand, did you believe that that was a

15 correct representation?

16 MR. JONES: Same objection.

17 A No.

18 Q Why not?

19 A Because of many of the issues we talked

20 here.

21 And that you have given me reasons that

22 Coopers believed they were on summary of audit

23 differences. That to the bottom line, they did not

24 affect the bottom line, even though they affected

25 various lines.

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1 That they related to other years.

2 And I believe you proposed that under the

3 iron curtain method, you needed to get the balance

4 sheet right, so it didn't matter which year it related

5 to.

6 Those types of things were the exact

7 arguments that I knew would be proposed to the items

8 that I had issues with.

9 Q At the time you signed the representation

10 letter that included paragraph 3, you believed, didn't

11 you, that the reserve transfers from Graduate to DVOG

12 had not been properly recorded in the accounting

13 records of AHERF?

14 A Correct.

15 Q And despite that belief, you signed the

16 letter and provided it to Coopers & Lybrand, right?

17 A Correct.

18 Q Do you see paragraph 4A reads, "There have

19 been no irregularities involving management or those

20 employees who have significant roles in AHERF's

21 internal control"?

22 A I do.

23 Q And at the time you signed the

24 representation letter for Coopers & Lybrand, did you

25 believe that that was a correct representation?

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1 A No.

2 Q If you could look down to paragraph 8. Do

3 you see that reads, "The receivables recorded in the

4 financial statements represent valid claims against

5 debtors for services rendered or other charges arising

6 on or before June 30th, 1997.

7 "And are not subject to discount except for

8 normal cash discounts. These receivables have been

9 approximately reduced to their estimated net

10 realizable value.

11 "Additionally, adequate provisions have

12 been made for estimated adjustments to revenue, such

13 as for denied claims, changes to DRG assignments and

14 cost report audits".

15 Did I read that right?

16 A Yes.

17 Q At the time you provided this letter to

18 Coopers & Lybrand, did you believe that that was a

19 correct representation?

20 A Generally, yes.

21 MR. JONES: Form.

22 A Because a cleanup had occurred by June

23 30th.

24 Q Turn, please, to paragraph 19 on page 4.

25 Do you see there there is a listing of

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1 intercompany receivables or payables between

2 affiliates at June 30th, 1997?

3 A Yes.

4 Q And for Allegheny General Hospital, the

5 amount listed there is 143 million dollars -- was

6 143,714,308 dollars?

7 A Yes.

8 Q And in your understanding, did that include

9 the advance to the DVOG?

10 A Yes.

11 Q Do you see the next sentence reads, "We

12 believe these balances will be settled through the

13 normal course of business and will not be settled

14 through net asset transfers", right?

15 A Right.

16 Q Was that a representation that meant that

17 the receivables were going to be able to be repaid and

18 would not have to be forgiven?

19 A Yes.

20 Q At the time you signed this letter for

21 Coopers & Lybrand, did you believe that that was a

22 correct representation?

23 A No.

24 But as you stated, there may have been

25 another bond offering in the works.

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1 Q Then on page 6, do you see paragraph 27
2 reads, "Other than those events described in note 16
3 and 17 to the financial statement, no events have
4 occurred subsequent to June 30th, 1997, that would
5 require adjustment to or disclosure in the financial
6 statements."

7 Right?

8 A Yes.

9 Q At the time you signed this letter for
10 Coopers & Lybrand, did you believe that that was a
11 correct representation?

12 A The only item that I had apprehension was
13 relative to the writeoffs early in '98, that I believe
14 Coopers came in and rereviewed that and determined
15 they were properly written off in '98. And that '97
16 statements did not need to be adjusted.

17 Q That is a reference to the 23 million
18 dollars that was recorded as a valuation adjustment?

19 A Yes.

20 Q That was an item that Coopers & Lybrand
21 told you that couldn't remain booked that way at year
22 end 1998, right?

23 A The booking of that was not my concern.
24 My concern was did that writeoff belong in
25 1997.

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1 They said '98 was proper. It is just the
2 way it was reflected in the '98 statements.

3 Q Is it, though, the case that Coopers &
4 Lybrand told you that they would not allow AHERF to
5 carry that adjustment in the way that it had been
6 booked at year end 1998?

7 A Yes.

8 But they did not insist that it be pushed
9 back in to '97.

10 Q And is it the case that you did not tell
11 anybody from Coopers & Lybrand that you believe any of
12 the statements in the representation letter marked as
13 Exhibit 1626 were inaccurate?

14 A That's true.

15 Q Let me mark, please, Exhibit 1627 a
16 document with Bates Nos. SEC D414 through 421.

17 (Thereupon, Exhibit No. 1627 was marked for
18 identification.)

19 Q If you turn to the second page of the
20 exhibit, do you see this is a document entitled "offer
21 of settlement of Albert Adamczak"?

22 A I do.

23 Q Could you explain what this document is?

24 A It is an agreement that I entered in to
25 with the SEC, whereby I neither -- where certain

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1 allegations were made by the SEC against me relative
2 to the AHERF audited financial statements, whereby I
3 neither admitted guilt nor was convicted of any of the
4 allegations. But agreed basically in settlement not
5 to represent clients before the SEC for a three year
6 period that expired in beginning of May of 2003, which
7 I hadn't done in many years before this and have not
8 done in the three years that this was in effect.

9 Q And as a result of this offer of settlement
10 with the Security and Exchange Commission, did you
11 have your license as a certified public accountant
12 suspended?

13 A I did.

14 My understanding is the rules that the
15 certified public accounting profession follows is that
16 if you enter in to a sanction agreement for any period
17 of time with any other body that they follow suit and
18 don't even investigate the allegations.

19 Q And is that your signature on the last page
20 of the document?

21 A It is.

22 Q If I could call your attention on page 3,
23 Bates No. 417, to paragraph 10, do you see that reads
24 "AHERF's audited consolidated financial statements
25 with consolidating schedules for the year ended June

Page 910

1 30th, 1997 purportedly prepared in accordance with
2 GAAP, were materially false and misleading and failed
3 to comply with GAAP in that A, they materially
4 overstated AHERF's 1997 consolidated net income, and
5 B, they materially overstated Delaware Valley's 1997
6 net income"?

7 A I see that.

8 Q Do you believe that that is a true
9 statement?

10 A I do.

11 Q And did you tell anybody at Coopers &
12 Lybrand about that during the 1997 audit?

13 A I did not.

14 MR. RYAN: No further questions at this
15 time. I thank you very much for your patience
16 and your time, Mr. Adamczak.

17 EXAMINATION

18 BY MR. JONES:

19 Q Mr. Adamczak, Jim Jones again. I will ask
20 you I hope a relatively few questions by way of
21 followup.

22 Let's start where we left off with Exhibit
23 1627. Unless anybody needs a break.

24 A No.

25 Q I think you tried to tell Mr. Ryan moments

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1 ago that the offer of settlement you provided the SEC
2 contained a provision, or at least as you understood
3 it, it contained a provision that you did not agree to
4 all of the findings that the SEC may have proposed
5 against you.

6 Is that correct?

7 A I believe I didn't -- in this settlement, I
8 didn't agree to any of them.

9 Q I will direct your attention to
10 paragraph -- rather, page 2 of the settlement
11 agreement.

12 Paragraph A.

13 Can you read that sentence for us?

14 A Under section A?

15 Q Yes.

16 A "Contents solely" --

17 Q The word is "Consents". You should read
18 the clause that starts just before paragraph A.

19 A "On the basis of the foregoing, Adamczak
20 hereby: Consents solely for the purpose of these
21 proceedings and any other proceedings brought or on
22 behalf of the Commission or in which the Commission is
23 a party, and without admitting or denying the findings
24 contained in the order, except for those set forth in
25 paragraph A1 below", which are factual in nature,

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1 "Which are admitted to the entry of the order of the
2 Commission making the following findings."

3 Q And paragraph A1 refers to your background
4 and time of employment at AHERF in a general way; is
5 that right?

6 A That's correct.

7 Q Mr. Adamczak, do you know whether the CPA
8 licensing body, as licensing body for certified public
9 accountants, did any investigation in connection with
10 your suspension?

11 A I know they did not.

12 Q How is it you know that?

13 A Through discussion with them and the letter
14 where my in essence CPA license was suspended, it says
15 we basically follow -- under X rule we follow certain
16 guidance. It says, "If your license is suspended, we
17 automatically suspend it for the same time."

18 Q I will flip you back now to Exhibit 1626,
19 which is the representation letter that Mr. Ryan gave
20 to you just before he gave to you the settlement
21 agreement offer. Do you have that in front of you?

22 A I do.

23 Q You just told us that you had I think the
24 words were apprehensions, when you signed this January
25 12th, 1998 letter; is that right?

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1 A That's correct.

2 MR. RYAN: Objection.

3 Q And the basis of your apprehensions were
4 what in a general way?

5 A Many of the items that we discussed here.
6 The IBM -- recording the sale on gain of
7 the IBM building.

8 The recording of income on the Lockhart
9 funds.

10 The funded depreciation classification
11 as -- excuse me, the intercompany receivable
12 classification as funded depreciation.

13 The transfer of the reserves from Graduate
14 to AHERF.

15 The initial allowance that the Graduate
16 entities be put in to SDN, whose board members were I
17 believe Nancy Wynstra, David McConnell and Sherif
18 Abdelhak.

19 My belief was that because of that board
20 representation, that it in essence was -- that company
21 was part of AHERF and should have been consolidated
22 from day one instead of several months where those
23 entities were left in SDN.

24 Q For accounting purposes?

25 A For accounting purposes.

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1 Q This is some of the things? Were there
2 others that come to mind that caused you apprehension?

3 A The bad debt reserves shortfall from '96
4 that there was a subsequent meeting held on.

5 It appears there may have been some
6 adjustment, 17 million of the 30. But the other 30 I
7 never saw resolved.

8 Those types of items.

9 The fact that we continued to bring issues
10 related to the receivables to Coopers & Lybrand's
11 attention and never saw adequate resolution to those
12 items.

13 Q As part of the comfort you took in
14 resolving the apprehension -- let me rephrase. Is
15 part of any resolution of the apprehension you felt
16 that occurred caused by comfort you took from
17 Coopers & Lybrand's work in the audit process?

18 MR. RYAN: Objection.

19 A Absolutely.

20 Q Could you explain that for me?

21 A I knew they had reviewed the IBM
22 transaction in detail. Because I believe they were
23 engaged directly to review that.

24 I knew the question relative to the
25 Graduate entities going in to SDN before they came in

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1 to AHERF was looked at vigorously by Coopers &
2 Lybrand, because at one point they were pushing that
3 it be consolidated, and then at some later date it
4 ended up not to be consolidated.

5 The 50 million dollar reserve transaction,
6 it was my understanding that they knew about it.
7 Looked at it. And had even requested that it be moved
8 from restructuring costs to goodwill. Representations
9 in memos that I saw from Dan Cancelmi and others that
10 led me to believe that Coopers was aware of all of the
11 reserves being moved.

12 Even though agreed upon procedures were
13 done on such things as the intercompany accounts, I
14 relied on Coopers, that they didn't see anything.

15 I didn't put as much credence on that as an
16 audit that they went and dug and looked at everything.

17 But that based on their limited procedures,
18 that nothing came to sight, because I would expect
19 even if you are ticking and tying balances, that you
20 would at least read the schedule. And if it doesn't
21 make sense or something looks out of whack, you bring
22 that to attention of management.

23 The fact that in these followup meetings,
24 the audit meetings, the ones I went to, issues did not
25 come up that caused me any concern.

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1 Relative to these big items.

2 I know that when I was in auditing,
3 generally one of the procedures was when the auditors
4 came in, they received a trial balance and asked for
5 any subsequent entries to be given to them.

6 I know a lot of these items we talked about
7 happened late in July or middle July.

8 I would have expected by then they were in
9 with their trial balance and should have been
10 reviewing any entries made from that time on.

11 Also, the magnitude of these adjustments
12 were in my mind very big.

13 And as we looked at many sheets that had
14 journal entries with millions of dollars on them,
15 although I didn't review them, because it wasn't part
16 of my process at the time to look at the detail, and I
17 do acknowledge that I know these transfers happened.

18 I would have expected Coopers to see these
19 numbers either through journal entry review, there is
20 usually a large and unusual journal entry review or
21 procedures they did.

22 And last but not least, I would have hoped
23 that as part of the audit, they would have spent some
24 time with me as an executive of that organization just
25 to ask me some questions or my thoughts.

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1 I don't know that there was more than two
2 or three times they stopped by during the audit. And
3 it was generally to express pleasantries, and that was
4 it.

5 Q Did you ever tell them anything untrue?

6 A I did not.

7 Q At any time?

8 A No.

9 Q That is Coopers & Lybrand?

10 A That's correct.

11 Q Is it fair to say, sir, that -- strike
12 that.

13 The question better put is what did you
14 think about Coopers, what did you think and believe
15 about Coopers' state of knowledge with respect to the
16 items you just mentioned gave you apprehension or were
17 perhaps inaccurate in the representation letter?

18 MR. RYAN: Objection.

19 A My thought is based on my history and my
20 training were that the recording of these or the
21 handling was incorrect.

22 Q What did you think about Coopers' knowledge
23 about those facts?

24 MR. RYAN: Objection.

25 A My thought is that they had every fact that

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1 I did other than my opinion.

2 Q So telling them that you thought things
3 were inaccurate, or that you had apprehension about
4 them --

5 A Were my opinion.

6 Q And wouldn't, in your view, have been news
7 to them; is that right?

8 MR. RYAN: Objection.

9 A I don't know that I would say that.

10 But I know that in the past, when I have
11 expressed contrary opinions, it didn't resolve in any
12 differences.

13 As a matter of fact, senior management
14 generally took the position that Coopers & Lybrand
15 were the experts, and when I had a contrary view, it
16 was kind of thanks for your advice, but they are the
17 experts we have hired. And we will take their advice.

18 Q If you had spoken up at the time someone
19 asked you to -- I assume someone asked you to sign the
20 representation letter? Or it was put in front of you
21 in some way?

22 A It was more or less sent to me.

23 Q By whom?

24 A There was no discussion.

25 Q Who sent it to you?

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1 A I believe Coopers & Lybrand sent it or
2 someone internally.

3 Q If either -- strike that.

4 If at the time this representation letter
5 marked as Exhibit 1626 hit your desk, you had spoken
6 up and said "I don't think I will sign it" for the
7 reasons you just expressed on the record here today
8 among others, what do you think the reaction from the
9 auditors would have been based on your experience over
10 the years with them, especially in the '96 audit work?

11 MR. RYAN: Objection.

12 A Similar to the funded depreciation
13 reclass. I think there would have been an explanation
14 given to me as it was right or okay.

15 And internally, I think I would have been
16 outcast by management.

17 Q Do you think any expression of your
18 apprehensions or belief in the inaccuracies of any
19 particular paragraph in the representation letter
20 would have been ultimately futile?

21 A Yes.

22 MR. RYAN: Objection.

23 A Absolutely.

24 Q I will ask you to look at a couple other
25 things Mr. Ryan showed you. In particular Exhibit

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1 Q If in your experience as an auditor you
2 would have seen a footnote F that said Graduate
3 transfer with a big number like 15 million in one
4 footnote, and the footnote right below it said 5.6
5 million dollar year end shortfall adjustment, would
6 you have asked more questions?

7 MR. RYAN: Objection.

8 A Most definitely including the fact that at
9 the end it says EPPI bad debt transfer 5.28. I might
10 have concluded that was a 10 or 11 million dollar
11 issue.

12 Q And you would have wanted to talk to people
13 inside the accounting information about what not only
14 the Graduate reserve entry was about, but about these
15 other entries as well?

16 MR. RYAN: Objection.

17 A Most definitely.

18 Q That goes for every other footnote
19 essentially that Mr. Ryan just showed you in that even
20 when there was a Graduate entry, there may also have
21 been a shortfall adjustment in a similarly big number;
22 is that right?

23 MR. RYAN: Objection.

24 A That's right.

25 Q We could look through these pages and do it

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1 320. Just because it is closer to the top. Let's
2 look at the second page.

3 We looked at these notes. We looked at
4 them last week. We looked at them again today. I
5 don't want to belabor the point.

6 But Mr. Ryan asked you a series of
7 questions. I think he got you to say that yes,
8 footnote F is the only footnote on that page, the
9 second page of Exhibit 16 -- Exhibit 320 that has the
10 word "Graduate" on it, isn't that right?

11 A That's correct.

12 Q However, the very next footnote, right
13 below F, and alphabetically consecutive, footnote G
14 has an entry called with the footnote language rather
15 year end shortfall adjustment in an amount of 5.6
16 million dollars nearly.

17 Right?

18 A That's correct. Then it says something at
19 the end about an EPPI bad debt transfer 5.28 million.

20 Q Those are big numbers?

21 A I would assume so.

22 Q If you would have seen a footnote F -- and
23 you were an auditor for a long time at Ernst &
24 Whinney; is that correct?

25 A That's correct.

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1 again. But each time he omitted to note the other
2 shortfall adjustments in the same string of
3 footnotes. Am I right?

4 A That's correct.

5 Q And you would have asked questions about
6 all of those footnotes, wouldn't you?

7 A I believe so.

8 Q And you think a reasonably prudent auditor
9 doing his job would have done the same thing, am I
10 right?

11 MR. RYAN: Objection.

12 A Yes.

13 Q Look at 1549. This is the 28 million
14 dollar schedule. Am I right?

15 A It is.

16 Q It includes a cover page and some roll
17 forwards; is that right?

18 MR. RYAN: Objection.

19 A Cover page --

20 Q And excerpts from roll forwards?

21 A From trial balances that give trial
22 balances in two points of time.

23 Q I apologize. Trial balances. And some
24 other memos in there, is that right?

25 A That's correct.

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1 Q Let's talk about the trial balances.
 2 Let's look at the second page of the
 3 document.
 4 Skip about two-thirds of the way down. See
 5 something called MA reserve.
 6 Do you see that?
 7 A Yes.
 8 Q It is under account 1201905. And the
 9 description is what again?
 10 A MA reserve.
 11 Q And you see that the variance between the
 12 current month and the prior month is a neat even 2
 13 million dollars.
 14 Am I right?
 15 A You are right.
 16 Q Let's look back at the cover page.
 17 See the top of the page under Graduate it
 18 says MA reserve?
 19 A I do.
 20 Q Same GL account number?
 21 A Yes.
 22 Q And the neat even difference there is 2
 23 million; is that right?
 24 A Yes.
 25 Q We can tie that one, can't we?

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1 A Yes. Generally even adjustments -- even
 2 changes like that, particularly if you see a lot of
 3 them, are reason to at least ask questions, also.
 4 Q And the question about where this came from
 5 might have been asked; is that right?
 6 MR. RYAN: Objection.
 7 A Yes.
 8 Q Let's look at another one. Let's look at
 9 the one on page 38849. About two-thirds of the way
 10 down, account No. 1201902, it is called other
 11 reserves, PFMA, see that?
 12 A Yes.
 13 Q The current month has what balance in
 14 that -- in the current month column?
 15 A Zero.
 16 Q What does it have in the prior month?
 17 A A reserve for that issue of 7,050,000
 18 dollars.
 19 Q So 7,050,000?
 20 A Correct.
 21 Q So the variance is --
 22 A 7,050,000 dollars.
 23 Q Magically a reserve that didn't exist
 24 current month does in the next?
 25 MR. RYAN: Objection.

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1 A It existed in May, it is gone in June.
 2 Q Thank you for correcting me. But it is
 3 just all gone, right?
 4 A Correct.
 5 Q Not hard to see a big jump there?
 6 A Same with the item below.
 7 Q And it is a big number, right?
 8 A Another million 5.
 9 Q Both together are big numbers?
 10 A Yes.
 11 Q Taken separately they are big numbers?
 12 A Yes.
 13 Q Would you have asked questions, if you had
 14 seen changes like this?
 15 MR. RYAN: Objection.
 16 Q As an auditor?
 17 MR. RYAN: Objection.
 18 A I would have.
 19 Q Do you think a reasonably prudent auditor
 20 would have asked questions as well?
 21 MR. RYAN: Objection.
 22 A Yes.
 23 Q Reviewing these, forgive me, trial balance
 24 excerpts?
 25 A Yes.

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1 Q Did anybody at C & L ever come to you and
 2 tell you what their position was with respect to
 3 whether or not the 50 million dollar Graduate reserve
 4 transfers in fiscal year 1997 caused 1997 audited
 5 financial statements to be materially misstated?
 6 A No.
 7 Q Would there be more info available on
 8 transfer of the 28 million dollars, if you would have
 9 looked elsewhere in the general ledger?
 10 MR. RYAN: Objection.
 11 A My thought relative to the entire hundred
 12 million was to the extent it all came from the
 13 Graduate entities, the Graduate acquisition was a
 14 relatively new thing. It only happened for the most
 15 part at the end of '97. As an auditor I would have
 16 paid particular attention to that transaction.
 17 And if I looked at the one schedule we
 18 looked at that showed -- I don't remember the number,
 19 100 million dollars of reserves plus being booked on
 20 Graduate and the other column, where they were reduced
 21 by some significant number, I think I would have
 22 wanted to understand that very detail as to exactly
 23 why the hundred were established in the first place
 24 and why they were reduced significantly.
 25 Q And I take it from your answer that you

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1 might have done that by looking more at general ledger
2 entries; is that right?

3 MR. RYAN: Objection.

4 A That and analysis that were given to me. I
5 think I would have focused a little more on them than
6 it appears was done.

7 Q And you think -- do you know as you
8 understood the general ledger at AHERF in fiscal year
9 '96 and '97 that additional information could have
10 been gleaned from looking at other general ledger
11 information about the reserve transfers?

12 MR. RYAN: Objection.

13 A Particularly the journal entries, yes.

14 MR. JONES: Let's take a break here and we
15 will come back and finish up.

16 THE VIDEOGRAPHER: We are off the record.

17 The time is 3:05 p.m.

18 (Recess taken.)

19 THE VIDEOGRAPHER: This begins tape 16 of
20 the deposition of Mr. Albert Adamczak. We are
21 back on the record. The time is 3:15 p.m.

22 BY MR. JONES:

23 Q Mr. Adamczak, did anyone at Coopers &
24 Lybrand ever share with you how they got comfortable
25 that the 50 million dollar transfer of reserves from

Page 929

1 A Yes.

2 Q You didn't get that guidance, did you?

3 MR. RYAN: Objection.

4 A No. As a matter of fact, part of the
5 reason I entered in to the settlement agreement with
6 the SEC were some of these issues. I didn't want to
7 be bothered trying to fight them.

8 And I didn't know that information. It
9 might have been critical or helpful.

10 Q I will ask you to look back at Exhibit 43
11 and 320.

12 320 should be right there in front of you.

13 43 shouldn't be far.

14 43 is the July 3, 1997 memo from Dan
15 Cancelmi to you.

16 A I found 43. What is 320?

17 Q 320 is in front of you.

18 I am sorry for that exercise. Look at 43
19 briefly, first.

20 It is indeed the July 3rd memo to you from
21 Mr. Cancelmi regarding reserves utilized to cover bad
22 debt shortfalls and health partners' deficits?

23 A That's correct.

24 Q It shows the 28 million dollar shortfall;
25 is that right?

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1 the Graduate Hospitals to the Delaware Valley
2 Obligated Group to boost those hospitals' bad debt
3 allowances fiscal year 1997 did not result in the
4 material misstatement of the fiscal year 1997 audited
5 financial statements?

6 A No. As a matter of fact, in '98, when this
7 became an issue in and around bankruptcy, I originally
8 became aware that they denied that they knew about
9 it. And that they later maybe admitted that they
10 maybe knew about certain parts of it.

11 Q Would you like to have had that
12 conversation with somebody at Coopers & Lybrand back
13 at the time of the fiscal year close or audit work
14 with respect to fiscal year '97?

15 MR. RYAN: Objection.

16 A It might have given me more comfort in that
17 was one of the items I had apprehension.

18 Or it might have given me a chance to
19 refute the reasons that they thought that it was
20 appropriate.

21 Q It might have given you some guidance with
22 respect to their view about any future reserve
23 transfers after the first 50 million, is that fair to
24 say?

25 MR. RYAN: Objection.

1 A It does.

2 MR. RYAN: Objection.

3 Q We talked about it over the part of a
4 couple days?

5 A Correct.

6 Q Look at 320 now. First of all, look at the
7 second page of Exhibit 43.

8 It has the list of reserves used to cover
9 bad debt shortfall, which it sums here to be about 25
10 million; is that right?

11 A Yes.

12 Q And in coming to that sum, there are a
13 series of Graduate reserves identified.

14 A Yes.

15 Q But on top of those right at the top of the
16 chart are a series of other reserves. Is that right?

17 A That's correct.

18 Q They aren't Graduate related are they?

19 A They are not.

20 Q They are intraDVOG reserves, am I right?

21 A I believe so.

22 Q So let's look at Exhibit 320. Look at the
23 second page again. Footnote G where we see the year
24 end shortfall adjustments.

25 A Yes.

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1 Q And the reference there in the last
2 sentence is to a representation letter of the type
3 that you provided to Coopers & Lybrand in connection
4 with the fiscal year 1997 audit. Right?

5 MR. JONES: Object to foundation and form.

6 A Correct.

7 Q And you were aware of material facts
8 regarding the financial statements of AHERF that you
9 did not disclose to Coopers & Lybrand, right?

10 A Yes.

11 Q That is all I have on this document.

12 Do you recall on June 12th, 1998, attending
13 a meeting with certain AHERF trustees at which Harry
14 Edelman asked about the transfer of reserves?

15 A No.

16 As a matter of fact, I think I may have
17 been scheduled to attend that meeting. And at the
18 last minute told it was not necessary for me to
19 attend.

20 MR. RYAN: Nothing further.

21 MR. JONES: Nothing further as well.

22 THE VIDEOGRAPHER: There being no further
23 questions, this deposition is concluded. We are
24 off the record. The time is 4:03 p.m.

25 THE WITNESS: I will waive signature. I do

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1 not want to read and sign.

2 ---
3 (Thereupon, at 4:03 o'clock p.m. the
4 deposition was concluded and signature was
5 waived.)
6 ---
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1 CERTIFICATE

2 COMMONWEALTH OF PENNSYLVANIA,)
) SS:

3 COUNTY OF ALLEGHENY.)

4 I, Lance E. Hannaford, do hereby certify that
5 before me, a Notary Public in and for the Commonwealth
6 aforesaid, personally appeared ALBERT ADAMCZAK, who
7 then was by me first duly cautioned and sworn to
8 testify the truth, the whole truth, and nothing but
9 the truth in the taking of his oral deposition in the
10 cause aforesaid; that the testimony then given by him
11 as above set forth was by me reduced to stenotypy in
12 the presence of said witness, and afterwards
13 transcribed by means of computer-aided transcription.

14 I do further certify that this deposition was
15 taken at the time and place in the foregoing caption
16 specified, and was completed without adjournment.

17 I do further certify that I am not a relative,
18 counsel or attorney of either party, or otherwise
19 interested in the event of this action.

20 IN WITNESS WHEREOF, I have hereunto set my hand
21 and affixed my seal of office at Pittsburgh,
22 Pennsylvania, on this ____ day of _____,
23 2003.

24 _____
25 Lance E. Hannaford
Notary Public
In and for the Commonwealth of Pennsylvania
My commission expires October 19, 2006

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1 I-N-D-E-X

2 EXHIBIT: MARKED:

3	1595 -	756
4	1596 -	764
5	1597 -	773
6	1598 -	784
7	1599 -	787
8	1615 -	792
9	1616 -	795
10	1617 -	822
11	1618 -	823
12	1619 -	825
13	1620 -	853
14	1621 -	855
15	1622 -	861
16	1623 -	862
17	1624 -	863
18	1625 -	879
19	1626 -	900
20	1627 -	908

21 EXHIBITS IDENTIFIED FROM PREVIOUS DEPOSITIONS:

22 8 - 4-14-97 memo to Mr. Spargo
23 17 - 3-16-98 letter to Mr. Dionisio
24 20 - 10-30-96 letter to Mr. Martin
25 39 - May financial statement adjustments

Allyn Dep.

In The Matter Of:

***AHERF v.
PRICEWATERHOUSECOOPERS, L.L.P.***

***HENRY ALLYN
December 11, 2003***

***LEGALINK MANHATTAN
420 Lexington Avenue - Suite 2108
New York, NY 10170
PH: 212-557-7400 / FAX: 212-692-9171***

ALLYN, HENRY



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HENRY ALLYN

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1 Q. Good afternoon, Mr. Allyn.
2 A. Good afternoon.
3 Q. We met a while back. Again, I'm John Unice. I
4 am here for the plaintiff in this case, the
5 Creditors Committee of AHERF. I have some
6 follow-up questions to which you and
7 Mr. McDonough already talked about today. I'll
8 keep my questioning as brief as I can. If you
9 need to take a break before I'm done, just let
10 me know, and I'll let you do that, of course,
11 and if you have any questions about my
12 questions and don't understand one of them or
13 can't hear one of them, I would ask that you
14 let me know that so we can communicate better.
15 Okay?
16 A. I'll be glad to.
17 Q. All right. Early on in your testimony, you
18 explained your understanding of your role as a
19 trustee, and I think you said a couple things.
20 One being to approve or turn down proposals
21 provided by management and to approve or deny
22 promotions also brought forth by management.
23 Do you generally recall that testimony?
24 A. Yeah.
25 Q. Now, at AHERF -- let's talk about your function

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1 at AHERF first for a while now.
2 Do you recall as a board member being
3 called upon at the end of each fiscal year to
4 approve the financial statements of the
5 enterprise as presented by management and
6 audited by Coopers & Lybrand?
7 A. Yeah, that was -- I mean, sure. Annual
8 responsibility, if you will.
9 Q. Can you recall when for AHERF that
10 responsibility was discharged? What time of
11 year?
12 A. No, I don't know when. Whenever AHERF started,
13 I guess.
14 Q. Okay. We can get to that in a minute.
15 Explain to me, if you can, your
16 general recall of how the process of approving
17 the financial statements occurred at AHERF?
18 A. The financial statements, as I recall it, were
19 presented by the chief financial officer to the
20 finance committee who reviewed them at a
21 committee meeting, and eventually if they were
22 approved, they came to the board, and in those
23 cases, usually Sherif had David McConnell
24 present them.
25 Q. Let's talk about the 1996 time frame for a

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1 moment and the fiscal year 1996 financial
2 statements.
3 Can you recall anything specific,
4 more than what you just relayed to me, about
5 your involvement in the approval of the 1996
6 financial statements?
7 A. I don't recall anything peculiar about it.
8 Q. And the same question with respect to the
9 fiscal year 1997 financials. Beyond your
10 general description of how you understood the
11 process to work, can you recall any other
12 involvement that you had in approving those
13 financial statements?
14 MR. MCDONOUGH: Well, I object to
15 form. There's no foundation that he was a
16 member of the board when the '97 financial
17 statements were presented.
18 THE WITNESS: Well, '97 -- I mean, I
19 wasn't present, you say? I was a board member,
20 was I not? No. The year '97, yeah, that
21 terminated in June, didn't it?
22 MR. MCDONOUGH: Well, yes.
23 THE WITNESS: Fiscal year.
24 MR. MCDONOUGH: Yes, Mr. Allyn, but
25 my objection is based on the fact that the

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1 audited opinion for those financial statements
2 was not rendered until the end of January or
3 early February of 1998.
4 THE WITNESS: I see. I got you.
5 BY MR. UNICE:
6 Q. Let's do this: Let me hand you an exhibit, and
7 I'm going to change my question once I do that,
8 because I think this will clear up a little bit
9 of confusion.
10 You may already have it, but just to
11 save time, Exhibit 1655 are the minutes of the
12 10-30-97 AHERF board meeting. I do note that
13 you were listed as a member absent at that
14 meeting?
15 A. That's right.
16 Q. Turn to the page ending in the number 71630.
17 A. Yeah.
18 Q. At the top of that page, there's a section
19 titled Report from the Audit Committee, and
20 then a subsection titled Report on Fiscal Year
21 1997 Audited Financial Statements and Related
22 Reports for AHERF. Do you see that?
23 A. I do.
24 Q. Okay. I don't want to belabor the point since
25 you weren't physically present at this meeting.

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1 Okay?

2 A. I understand.

3 Q. My question is do you recall any discussions

4 with board of trustee members in the fall '97

5 time frame regarding the process that was used

6 to approve the 1997 financial statements

7 presented for audit?

8 A. No.

9 Q. Okay. You mentioned towards the end of your

10 discussion with Mr. McDonough about the receipt

11 of a clean opinion at AHERF on the financial

12 statements?

13 A. I didn't hear the question properly. I'm

14 sorry.

15 Q. Do you recall mentioning to Mr. McDonough

16 towards the end of your discussion with him

17 that you didn't recall receiving anything other

18 than a clean opinion on the financial

19 statements?

20 A. That's right.

21 Q. What's a clean opinion in your understanding?

22 A. Well, in my layman's terms --

23 Q. That's all I'm asking for.

24 A. -- there is normally a sentence in the outside

25 auditor's opinion of the figures that have been

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1 presented by management that states that they,

2 the outside auditors, feel that the information

3 was properly presented, and that in their

4 opinion, it meets the standards of the -- what

5 do you call that outside auditing -- the Big

6 Eight group. Now it's Big Four, perhaps. I

7 ought to be able to quote the darn thing by

8 memory, but I can't, but it states, in effect,

9 that we feel that the figures that are here

10 which management gave us and which we reviewed

11 substantially and correctly present the

12 condition of the corporation, hospital,

13 whatever it is.

14 Q. As an external trustee to an organization like

15 AHERF, can you tell me what significance you

16 placed upon receiving such a clean opinion as

17 you described it?

18 A. I'm not quite sure what you're driving at, but

19 if we didn't want an opinion, be it clean or

20 otherwise, we wouldn't hire outside auditors.

21 Q. Let me ask it a different way.

22 What was your reaction, if you can

23 recall, at AHERF when you received clean

24 opinions from the auditors?

25 A. I felt satisfied.

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1 Q. Why is that?

2 A. That the books were in good shape.

3 Q. And was that important to you as a trustee?

4 A. You're darn right.

5 Q. Why?

6 A. Because it's one of our responsibilities to be

7 satisfied that we're doing business legally, et

8 cetera.

9 Q. And if you received an unclean opinion, would

10 that concern you as a trustee to a non-profit

11 organization?

12 A. Yes, indeed.

13 Q. Why is that?

14 A. I guess the answer I gave to the previous

15 question you didn't listen to.

16 Q. So it's the same response?

17 A. No, not the same response.

18 If I got an unclean answer from the

19 outside auditors, you wouldn't even have an

20 annual report, because somebody would make sure

21 that they looked into this and found out what

22 was wrong.

23 Q. In your board service on other entities --

24 forget AHERF for a minute.

25 A. Okay.

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1 Q. -- did you ever come across an auditor's report

2 that issued an unclean opinion?

3 A. I don't believe so.

4 Q. Skipping back now to your service on AHERF, can

5 you recall for me how you as an external

6 trustee used the audited financial statements,

7 if at all, to discharge your duties for the

8 organization?

9 A. Well, we used it as a basis -- speaking for

10 myself.

11 Q. That's all I'm asking for.

12 A. -- of feeling assured that the figures that

13 had been presented by management and audited by

14 the outside auditors were confidence inspiring

15 that the organization was in good shape.

16 Q. Would you use the year-end financial statements

17 to help you as a trustee guide and assess how

18 management was doing in implementing its

19 business plans?

20 A. In relation to the business plan you're saying?

21 Q. Yes. Yes.

22 A. Yeah, sure.

23 Q. Can you recall any other ways in which you as a

24 trustee would use the audited financial

25 statements to discharge your duties?

37 (Pages 142 to 145)

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<p style="text-align: right;">Page 146</p> <p>1 A. I don't think so.</p> <p>2 Q. Now, during your service on the AHERF board, am</p> <p>3 I right in assuming that you also received, on</p> <p>4 a quarterly or thereabout basis, internal</p> <p>5 financial statements that were not audited by</p> <p>6 the auditors; is that right?</p> <p>7 A. Yes.</p> <p>8 Q. At any time during your board service for</p> <p>9 AHERF, do you recall seeing any significant</p> <p>10 difference in the year-end financial statements</p> <p>11 when compared to one of the earlier interim</p> <p>12 reports you received from management that were</p> <p>13 not audited?</p> <p>14 A. When you say significant difference, what do</p> <p>15 you mean by that? The figures, of course,</p> <p>16 change every year.</p> <p>17 Q. Well, did you see anything in -- can you recall</p> <p>18 seeing anything in the audited financial</p> <p>19 statements that gave you cause to doubt the</p> <p>20 accuracy of the information that you were</p> <p>21 receiving on a quarterly basis from management?</p> <p>22 A. No, I did not.</p> <p>23 Q. At any time during your service on the AHERF</p> <p>24 board, do you recall ever doubting the accuracy</p> <p>25 of the audited financial statements that you</p>	<p style="text-align: right;">Page 148</p> <p>1 terms of their performance of those duties</p> <p>2 beyond what you've already talked to me about?</p> <p>3 A. Well, I guess I'd have to say that my</p> <p>4 expectation of them was that they were an</p> <p>5 honest firm and they'd tell us the facts as</p> <p>6 they saw them.</p> <p>7 Q. You were asked many times today whether or not</p> <p>8 you could recall AHERF engaging outside</p> <p>9 consultants to assess at the outset of an</p> <p>10 endeavor whether or not management should</p> <p>11 proceed with that endeavor as well as whether</p> <p>12 or not, after that endeavor, AHERF acquired</p> <p>13 consultants to assess the success of those</p> <p>14 efforts. Do you remember generally those</p> <p>15 questions about consultants?</p> <p>16 A. Oh, I remember very clearly.</p> <p>17 Q. Okay.</p> <p>18 A. I may not remember anything else about</p> <p>19 Mr. McDonough, but I'll remember that.</p> <p>20 Q. Okay. Do you remember, specifically yourself</p> <p>21 now, ever thinking personally that management</p> <p>22 should, in fact, engage consultants when it did</p> <p>23 not do so?</p> <p>24 A. No.</p> <p>25 Q. Did any other trustee express to you a belief</p>
<p style="text-align: right;">Page 147</p> <p>1 received at fiscal year end?</p> <p>2 A. No.</p> <p>3 Q. Do you recall any other trustees expressing to</p> <p>4 you any doubts they may have had with the</p> <p>5 accuracy of those statements?</p> <p>6 A. No.</p> <p>7 Q. Now, you mentioned a moment ago that in your</p> <p>8 understanding, the external auditors would</p> <p>9 review the financial statements prepared by</p> <p>10 management, and then issue a report on those</p> <p>11 statements and issue that to ultimately the</p> <p>12 full board, is that right?</p> <p>13 A. Yes. They'd issue an opinion.</p> <p>14 Q. An opinion?</p> <p>15 A. Yeah.</p> <p>16 Q. What other expectations did you have of the</p> <p>17 external auditors -- and let's just focus now</p> <p>18 on those that were employed by AHERF -- with</p> <p>19 respect to presentation of financial</p> <p>20 statements?</p> <p>21 A. Well, I may be wrong, but I don't think we</p> <p>22 hired Coopers & Lybrand to do anything but</p> <p>23 auditing.</p> <p>24 Q. And aside from assessing those statements, did</p> <p>25 you have any other expectations of them in</p>	<p style="text-align: right;">Page 149</p> <p>1 that management should engage consultants when,</p> <p>2 to your recall, management did not do so?</p> <p>3 A. No, I don't recall.</p> <p>4 Q. I think you were also asked whether or not</p> <p>5 AHERF engaged consultants to assess how the</p> <p>6 various hospitals it acquired were doing post</p> <p>7 acquisition. Do you recall those lines of</p> <p>8 questions?</p> <p>9 A. You mean the individual affiliates that we</p> <p>10 acquired?</p> <p>11 Q. Yeah, I do.</p> <p>12 A. I think I answer that question.</p> <p>13 Q. Correct me if I'm wrong, but I thought, for</p> <p>14 example, you were asked whether or not</p> <p>15 management, after the acquisition of United,</p> <p>16 retained outside consultants to assess how the</p> <p>17 United Hospitals were doing? You don't recall</p> <p>18 that testimony?</p> <p>19 A. I recall the question. I think I said I did</p> <p>20 not remember that we ever thought of doing so.</p> <p>21 Q. That's right.</p> <p>22 Do you know whether anyone employed</p> <p>23 by AHERF was charged with assessing how the</p> <p>24 hospitals it acquired were doing post</p> <p>25 acquisition?</p>

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1 the column titled Consolidated AHERF, do you
 2 see that?
 3 A. Right.
 4 Q. The last column?
 5 A. Yes.
 6 Q. And there's a reported gain of \$6.5 million
 7 before Extraordinary Item and Change in
 8 Accounting Principles, do you see that?
 9 A. Yes.
 10 Q. Does that refresh your memory at all as to how
 11 it was reported the AHERF organization was
 12 doing overall at fiscal year end '96?
 13 A. Well, that gave us enough income as of the end
 14 of June 30 of '96, yes.
 15 Q. Do you recall any discussions at board meetings
 16 about AHERF's reported positive net income
 17 before extraordinary item in that time frame?
 18 A. I don't recall any specific discussion of that
 19 figure.
 20 Q. That's all for that one.
 21 A. Okay.
 22 Q. The next one, sir, I give you is Exhibit 58.
 23 A. Um-hum.
 24 Q. And these are the audited financial statements
 25 for AHERF as of 6-30-97.

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1 A. Um-hum.
 2 Q. Again, do you recall in your board service at
 3 AHERF receiving the year-end report -- year-end
 4 audited financial statements for 1997?
 5 A. I don't specifically remember receiving it, but
 6 I'm sure I did.
 7 Q. Well, let me put you -- I want to make sure
 8 we're on the same page here.
 9 The audit report, as Mr. McDonough
 10 referenced earlier, was not issued until
 11 February 1998, early February.
 12 A. I doubt that it was sent to me.
 13 Q. Okay. I don't want to ask you questions about
 14 something that you've never seen before, so
 15 let's just put that aside.
 16 You mentioned early on today your
 17 service on other for-profit boards of trustees.
 18 I don't think you were asked what other
 19 non-profit boards you served on, if any,
 20 besides AHERF. Could you tell me what that
 21 answer is?
 22 A. I served for a number of years on the board of
 23 trustees of Allegheny Trails Council Boy
 24 Scouts. I served on the board of trustees and
 25 then later the session of the Presbyterian

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1 church to which I belong in Sewickley,
 2 Pennsylvania. There may have been others, but
 3 they don't come to mind, just at the moment
 4 they don't.
 5 Q. And on any of those non-profit organizations,
 6 did you ever serve on what would be similar to
 7 AHERF's audit committee?
 8 A. No. Well, I'm trying to think whether we have
 9 an internal audit committee at the church. I
 10 don't think we do, but I served on the board of
 11 trustees which at that point in time -- in
 12 fact, I was chairman of it -- acted as the
 13 financial organization of the laymen in the
 14 church responsible for its financial condition
 15 and insurance of its properties and all that
 16 sort of stuff.
 17 Q. In that role, did you work with any external
 18 auditors, if the church had any?
 19 A. Yes, to the extent that I think in the church
 20 we got an annual report from external auditors,
 21 and I'm sure we got an audited report, although
 22 I wasn't on an audit committee as such, of the
 23 Boy Scouts.
 24 Q. In any of your non-profit board service outside
 25 of AHERF, did you ever run across a situation

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1 where an external auditor came to that
 2 organization's board with concerns about the
 3 integrity of that organization's management?
 4 A. No.
 5 Q. The same question with respect to your service
 6 on for-profit organizations' boards. In that
 7 context, do you recall any auditors coming to
 8 your attention -- calling to your attention any
 9 concerns with that organization's upper
 10 management?
 11 A. No.
 12 Q. You spoke earlier today about the changes in
 13 government funding from Medicare and Medicaid,
 14 and I think you were shown a document outlining
 15 potential impact on AHERF.
 16 A. Um-hum.
 17 Q. Do you remember doing that?
 18 In your board service at AHERF, do
 19 you recall discussing with other trustees what
 20 impact those changes would have on AHERF's
 21 competitors here in Pittsburgh?
 22 A. No.
 23 Q. During your board service, do you recall any
 24 discussions with trustees of AHERF about what
 25 impact government cutbacks would have on

40 (Pages 154 to 157)

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<p style="text-align: right;">Page 158</p> <p>1 AHERF's eastern region competitors?</p> <p>2 A. For AHERF's what?</p> <p>3 Q. Eastern region competitors in Philadelphia.</p> <p>4 A. No.</p> <p>5 MR. UNICE: Could you mark this the</p> <p>6 next exhibit? Thanks. That's 2135.</p> <p>7 - - - -</p> <p>8 (Exhibit 2135 marked for identification.)</p> <p>9 - - - -</p> <p>10 BY MR. UNICE:</p> <p>11 Q. You've been handed Exhibit 2135. It's a</p> <p>12 three-page letter from Coopers & Lybrand</p> <p>13 addressed to the board of trustees of AHERF</p> <p>14 dated September 22, 1997. It bears Bates Nos.</p> <p>15 DBR-LI 62868 through 70.</p> <p>16 Mr. Allyn, take a moment to look at</p> <p>17 this document, and let me know if you've ever</p> <p>18 seen it before today.</p> <p>19 A. Okay.</p> <p>20 Q. Do you recall receiving this document during</p> <p>21 your board service at AHERF?</p> <p>22 A. No.</p> <p>23 Q. Do you recall ever seeing this before today?</p> <p>24 A. I don't know whether I did or not to tell you</p> <p>25 the honest truth.</p>	<p style="text-align: right;">Page 160</p> <p>1 A. Well, yes. As a matter of fact, this is a</p> <p>2 somewhat fuller than normal clean opinion in my</p> <p>3 book.</p> <p>4 Q. Would you expect the auditors to report to the</p> <p>5 board if during the course of their audit work</p> <p>6 they discovered what they thought to be</p> <p>7 material misstatements in the financial</p> <p>8 statements prepared by management?</p> <p>9 A. Certainly.</p> <p>10 Q. Would you expect the auditors to report to the</p> <p>11 board if they discovered in the course of their</p> <p>12 audit work intentional mistatements in the</p> <p>13 financial statements?</p> <p>14 A. Sure.</p> <p>15 Q. Would you expect the auditors in the course of</p> <p>16 their audit work to report to the board if they</p> <p>17 discovered what they believed to be fraud in</p> <p>18 the preparation of financial statements?</p> <p>19 A. Certainly.</p> <p>20 Q. During your service on the AHERF board, were</p> <p>21 any such concerns as I listed to you reported</p> <p>22 to the board to your recollection?</p> <p>23 A. Would you say the question again?</p> <p>24 Q. Yeah. That was poorly phrased.</p> <p>25 During your board service, do you</p>
<p style="text-align: right;">Page 159</p> <p>1 Q. Okay. I'm going to ask you one question about</p> <p>2 the second page of this document.</p> <p>3 A. All right.</p> <p>4 Q. There's a section -- well, first of all, am I</p> <p>5 right in characterizing this letter as a letter</p> <p>6 that's required to be sent to the board by the</p> <p>7 AICPA of Coopers & Lybrand?</p> <p>8 A. That's my understanding.</p> <p>9 Q. Now, on the second page there's a section</p> <p>10 titled Errors, Fraud or Legal Acts. Do you see</p> <p>11 that?</p> <p>12 A. Um-hum.</p> <p>13 Q. And it states, Our audit includes procedures</p> <p>14 designed to provide reasonable assurance of</p> <p>15 detecting errors, irregularities and illegal</p> <p>16 acts which are material to the financial</p> <p>17 statements. During our audit, no such matters</p> <p>18 came to our attention. Do you see that?</p> <p>19 A. Right.</p> <p>20 Q. Did I read that right?</p> <p>21 A. Yes.</p> <p>22 Q. Is that consistent with what you expected as a</p> <p>23 board member of the external auditor in terms</p> <p>24 of the things the auditors report to the board</p> <p>25 if necessary?</p>	<p style="text-align: right;">Page 161</p> <p>1 recall Coopers & Lybrand ever coming to the</p> <p>2 board with concerns about intentional</p> <p>3 misstatements in the financial statements?</p> <p>4 A. No, I do not.</p> <p>5 Q. Do you recall them bringing concerns with</p> <p>6 respect to material misstatements in the</p> <p>7 financial statements?</p> <p>8 A. No.</p> <p>9 Q. Or with respect to suspected fraud in the</p> <p>10 financial statements?</p> <p>11 A. No, I do not.</p> <p>12 MR. UNICE: That's all I have.</p> <p>13 MR. MCDONOUGH: Mr. Allyn, I have a</p> <p>14 few follow-up points, but do you mind if we</p> <p>15 change seats again?</p> <p>16 MR. UNICE: Not at all.</p> <p>17 MR. MCDONOUGH: Because I can talk to</p> <p>18 his good ear.</p> <p>19 THE WITNESS: I have my wife's</p> <p>20 approval to stay anyhow.</p> <p>21 MR. MCDONOUGH: Well, I'm sure your</p> <p>22 wife is anxious to get you home.</p> <p>23 THE WITNESS: Only because we have a</p> <p>24 dinner date. No problem.</p> <p>25 - - - -</p>

41 (Pages 158 to 161)

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<p>1 EXAMINATION</p> <p>2 - - - -</p> <p>3 BY MR. MCDONOUGH:</p> <p>4 Q. Just a couple areas, Mr. Allyn, based upon your</p> <p>5 answers to Mr. Unice.</p> <p>6 He asked you if you would use the</p> <p>7 year-end audited financial statements to assess</p> <p>8 where management was in the operations of</p> <p>9 AHERF, and you indicated, I believe, that you</p> <p>10 would look at the year-end statements?</p> <p>11 A. Yes.</p> <p>12 Q. Okay. Is it true, Mr. Allyn, that you actually</p> <p>13 got financial statements -- internal interim</p> <p>14 financial statements showing where management</p> <p>15 was all the way throughout the year?</p> <p>16 MR. UNICE: Objection. Asked and</p> <p>17 answered.</p> <p>18 A. Well, we got the management reports at each of</p> <p>19 our quarterly board meetings.</p> <p>20 Q. Yeah. That's what I'm --</p> <p>21 A. And that was sort of a status report, if you</p> <p>22 want, about the statistics and so on.</p> <p>23 Q. Yeah, that's what I'm referring to, that ever</p> <p>24 quarter, am I correct, management would provide</p> <p>25 financial statements indicating the performance</p>	<p>1 A. No. They shouldn't.</p> <p>2 Q. And they don't prepare every ledger entry or</p> <p>3 every internal audit -- I'm sorry, every</p> <p>4 internal accounting entry made by any</p> <p>5 organization, do they?</p> <p>6 A. I don't think they should, and I'm sure they</p> <p>7 didn't in our case.</p> <p>8 Q. Now, Mr. Allyn, did the Pittsburgh & Lake Erie</p> <p>9 Railroad have outside auditors?</p> <p>10 A. Yes.</p> <p>11 Q. Just out of curiosity, who were they?</p> <p>12 A. I wish you hadn't asked me. We changed them.</p> <p>13 I think for years we had Coopers & Lybrand.</p> <p>14 They also audited Penn Central, our parent</p> <p>15 company, but we had outside stockholders, so</p> <p>16 the minute the bankruptcy occurred, we changed</p> <p>17 auditors, and I think they went on -- I may be</p> <p>18 wrong, it may not have been Coopers, and I</p> <p>19 think we at that time went to PriceWaterhouse.</p> <p>20 Q. Okay. Now, in your years in management of the</p> <p>21 Pittsburgh & Lake Erie Railroad, did you ever</p> <p>22 yourself observe any dissatisfaction with the</p> <p>23 level of service provided by Coopers & Lybrand?</p> <p>24 A. No.</p> <p>25 Q. How about PriceWaterhouse?</p>
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<p>1 of the organization and its subsidiaries?</p> <p>2 A. That's correct.</p> <p>3 Q. Okay. And management would also provide, am I</p> <p>4 correct, annual statements at the end of the</p> <p>5 year?</p> <p>6 A. Yeah.</p> <p>7 Q. Okay. And so the audited statements that you</p> <p>8 received were just one aspect of the financial</p> <p>9 information that a board member received on an</p> <p>10 ongoing quarterly basis in connection with the</p> <p>11 trustee's service as a member of the AHERF</p> <p>12 board?</p> <p>13 A. I think that's a fair statement.</p> <p>14 Q. Now, with respect to the auditor's opinion that</p> <p>15 was on the audited statements --</p> <p>16 A. Um-hum.</p> <p>17 Q. -- I think you covered this in your answer, but</p> <p>18 I want to come back to it just to nail it down.</p> <p>19 Whose financial statements are being opined on</p> <p>20 by the outside auditors?</p> <p>21 A. The statements which are furnished by</p> <p>22 management to the outside auditors.</p> <p>23 Q. Okay. So am I correct, Mr. Allyn, that the</p> <p>24 outside auditors don't prepare the financial</p> <p>25 statements?</p>	<p>1 A. No.</p> <p>2 Q. Now, when you were in senior management of the</p> <p>3 Pittsburgh & Lake Erie Railroad, was it</p> <p>4 management's, that is to say, your financial</p> <p>5 statements that were delivered for audit?</p> <p>6 MR. UNICE: Object to form.</p> <p>7 A. Yeah, delivered by our management. Yeah.</p> <p>8 Q. Did you as part of management understand that</p> <p>9 it was your responsibility to provide honest</p> <p>10 and complete financial statements for review by</p> <p>11 the auditors?</p> <p>12 A. Oh, yes, absolutely.</p> <p>13 Q. Did you recall, Mr. Allyn, that you were even</p> <p>14 required to sign what are called representation</p> <p>15 letters indicating that you believed the</p> <p>16 statements -- the financial statements</p> <p>17 submitted for audit to be true and correct in</p> <p>18 all material respects?</p> <p>19 A. I think I had to sign off on them every year,</p> <p>20 yeah.</p> <p>21 Q. Now, in all of your experience in profit</p> <p>22 companies and in not-for-profit companies --</p> <p>23 strike that, Mr. Allyn.</p> <p>24 Let me ask it this way: You were</p> <p>25 asked about your expectations of the Coopers &</p>

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1 Lybrand firm in connection with their audits of
 2 AHERF, and you said you expect -- your
 3 expectation was that they would be an honest
 4 firm that would tell us the facts as they saw
 5 them?

6 A. Yes.

7 Q. Okay. Did you ever have any reason to believe
 8 your expectation was not met by Coopers &
 9 Lybrand?

10 A. Not while I served on the board.

11 MR. MCDONOUGH: Thank you. That's
 12 all I have.

13 THE VIDEOGRAPHER: With there being
 14 no further questions, that concludes today's
 15 deposition. Thank you.

16 - - - -

17 (The proceedings were concluded at 3:28 p.m.)

18 - - - -

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1 COMMONWEALTH OF PENNSYLVANIA) ERRATA
 2 COUNTY OF ALLEGHENY) SHEET

3 I, HENRY ALLYN, have read the foregoing pages
 4 of my deposition given on Thursday, December 11,
 5 2003, and wish to make the following, if any,
 6 amendments, additions, deletions or corrections:
 7 Page/Line Should Read Reason for Change

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20 In all other respects, the transcript is true and
 21 correct.

22 HENRY ALLYN

23 Subscribed and sworn to before me this
 24 day of _____, 2003.

25 Notary Public
 AKF Reference No. JB78599

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1 COMMONWEALTH OF PENNSYLVANIA) CERTIFICATE
 2 COUNTY OF ALLEGHENY) SS:

3 I, JoAnn M. Brown, RMR, CRR, a Court Reporter
 4 and Notary Public in and for the Commonwealth of
 5 Pennsylvania, do hereby certify that the witness,
 6 HENRY ALLYN, was by me first duly sworn to testify to
 7 the truth; that the foregoing deposition was taken at
 8 the time and place stated herein; and that the said
 9 deposition was recorded stenographically by me and
 10 then reduced to printing under my direction, and
 11 constitutes a true record of the testimony given by
 12 said witness.

13 I further certify that the inspection, reading
 14 and signing of said deposition were NOT waived by
 15 counsel for the respective parties and by the
 16 witness.

17 I further certify that I am not a relative or
 18 employee of any of the parties, or a relative or
 19 employee of either counsel, and that I am in no way
 20 interested directly or indirectly in this action.

21 IN WITNESS WHEREOF, I have hereunto set my hand
 22 and affixed my seal of office this 16th day of
 23 December, 2003.

24 _____
 25 Notary Public

Antol Dep.

Sara Antol

Page 1

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PENNSYLVANIA

THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS OF ALLEGHENY
HEALTH, EDUCATION & RESEARCH FOUNDATION

Plaintiff,

vs.

Case No.

PRICEWATERHOUSECOOPERS, LLP,

00-684

Defendant.

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Videotape deposition of SARA ANTOL,
called for examination under the Applicable
Rules of Federal Civil Procedure, taken before
me, Wendy L. Klauss, a Notary Public in and for
the State of Ohio, at the offices of Jones Day,
500 Grant Street, Suite 3100, Pittsburgh,

Pennsylvania, on Wednesday, November 5, 2003,

at 9:33 o'clock a.m.

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